



Logistics Cost and Service 2015

The Establish Davis Database

May 2016



Key Findings

- Logistics costs for the average company in the database are 9.56 percent of sales and \$74.07 per hundredweight shipped.
- Logistics costs as a percent of sales increased moderately (2 to 3 percent) from 2014 to 2015.
- Logistics costs per hundredweight shipped increased by 6 to 7 percent from 2014 to 2015.
- Transportation and warehousing costs drove the increase while inventory carrying costs slightly decreased.
- Overall logistics costs are continuing on an upward trend.
- Companies with higher product values continue to have lower logistics costs.
- Smaller companies continue to have higher logistics costs.
- Service performance levels show a reduction in cycle time (from Order to Average Delivery) and a decrease in product availability.

Background on Establish Davis Database

Brief History of the Database

- Since 1974, Establish Davis Database contains logistics costs and service performance levels for a vast range of industries
- Submissions are annually summarized to track logistics costs and service performance levels and trends

Parameters Measured

- ✓ Transportation costs
- ✓ Warehousing costs
- ✓ Customer service/order entry
- ✓ Administration costs
- ✓ Inventory carrying costs

Why Companies Benchmark?

- To identify opportunities and trends (cost and service performance drivers) in their logistics costs
- To know where to focus next to improve company's logistics network from the perspective of cost and service

Participate and Get Your Own Customized and Detailed Report – It's Free

Why Participate?

- Find out how you rank compared to similar companies

 - ✓ Establish Davis Database provides a great methodology for benchmarking. By participating you get a unique comparison to relevant companies and your ranking among them
- Compare to companies in your size

 - ✓ The company size can affect the logistics costs with up to 50%
- Compare to companies with the same type of goods

 - ✓ Logistics costs for heavy goods differs from light and expensive goods
- Compare to companies in your industry


 - ✓ A very valuable information is where your colleagues are with costs and performance
- Why is it free?

 - ✓ The more participants the higher value of the database
 - ✓ Establish wants to be associated with valuable insights within Supply Chain Management

Example of a Customized Report

<i>Establish, Inc.</i>													
<i>Davis Logistics Cost and Service Database - Cost Comparison</i>													
Company Name: Your Company										Date Issued: 3 2013			
Company Number: 10619													
	Your Company	Industrial Durable			Similar Product Value			Similar Weight Companies			Similar Revenue Companies		
		Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile
Cost as a Percent of Sales													
Transportation	5.52	1.64	3.10	4.10	2.30	3.67	4.85	3.11	4.90	5.48	1.37	3.01	3.99
Warehousing	2.80	0.83	1.99	2.44	1.12	2.12	2.47	1.45	2.52	3.36	0.46	1.51	2.40
Order Processing	0.80	0.25	0.62	0.71	0.24	0.60	0.70	0.11	0.43	0.49	0.08	0.43	0.53
Administration	0.48	0.14	0.34	0.38	0.15	0.36	0.48	0.14	0.37	0.42	0.09	0.27	0.35
Inventory Carrying	2.88	0.95	1.83	2.25	1.11	2.89	3.05	1.08	1.86	2.34	0.80	1.80	2.33
Overall Cost	12.48	4.70	7.70	9.80	5.02	8.64	10.90	7.21	9.54	11.57	3.14	6.18	8.66
Cost per Hundredweight													
Transportation	11.50	7.49	24.25	23.88	8.79	15.68	17.96	3.26	6.40	7.76	7.02	31.12	32.95
Warehousing	5.83	4.22	13.42	13.71	4.31	8.89	10.04	1.80	3.90	5.44	3.62	13.02	11.05
Order Processing	1.67	0.86	6.25	4.79	0.88	2.62	2.78	0.08	0.52	0.64	0.25	5.36	3.88
Administration	1.00	0.60	2.36	2.39	0.65	1.62	2.17	0.12	0.48	0.71	0.35	3.75	2.21
Inventory Carrying	6.00	3.69	24.32	16.99	3.89	12.09	13.26	0.66	3.20	4.17	2.22	52.02	20.34
Overall Cost	26.00	17.51	69.54	56.26	20.17	36.55	43.02	6.14	13.95	17.24	15.75	89.88	60.98
Volumes													
Million Pounds	600	55	559	400	47	262	261	848	2,545	2,566	87	1,119	1,044
Million Sales (U.S.\$)	1,250	400	1,536	1,458	163	963	1,110	1,059	2,794	4,209	1,041	2,647	3,309
Product Value(\$/Lb.)	2.08	2.08	18.61	11.33	2.98	4.42	5.35	0.69	1.95	1.95	1.95	43.25	16.11
Number of Shipping Origins	5	1	7	8	1	6	5	8	26	29	3	13	16
Delivery Paid by Customer (%)	25	2.75	25	34.25	4.25	21	28.75	5.00	19	24.00	2.00	24	37.00
Your Costs													
Transportation	\$69,000,000			Order Processing	\$10,000,000			Inventory Carrying	\$36,000,000				
Warehousing	\$35,000,000			Administration	\$6,000,000			Total	\$156,000,000				

Lower Quartile - 25% of the comparison group is below this value. Costs below the lower quartile are considered to be 'Best in Class'.
Average - Statistical mean of the group.
Upper Quartile - 75% of the comparison group is below this value.



Participating is Easy

Overview of Participant's Input

Nature of Business	Industry Classification	<ul style="list-style-type: none"> • Manufacturer / Wholesaler / Retailer • Durable / Non durable • Consumer / Industrial • Commercial /Institutional
Size of Business	Net Sales	<ul style="list-style-type: none"> • Last fiscal year (LFY) revenue (USD)
	Weight Shipped	<ul style="list-style-type: none"> • LFY total weight shipped (LBS)
	# Shipping Points	<ul style="list-style-type: none"> • Total number of shipping points
	# Lines / Orders / SKUs	<ul style="list-style-type: none"> • LFY total number of lines / orders / SKUs
Logistics Costs	Transportation	<ul style="list-style-type: none"> • Inbound and outbound
	Warehousing	<ul style="list-style-type: none"> • Labor, space, energy, equipment, computer and material
	Inv. Carrying cost	<ul style="list-style-type: none"> • Measured at 18% of average inventory value
	OECS / Admin	<ul style="list-style-type: none"> • Costs for order entry, customer service and admin
KPIs	Customer service performance measures	<ul style="list-style-type: none"> • Total order cycle time • Product availability (orders, lines and units)

How to Participate

- Participate on-line
- <http://www.establishinc.com/supply-chain-consulting-services/benchmarking/participate-online>
- Any questions or need help?
 - Call 866-342-1560 and a logistics expert will be happy to help you

Average Company 2015 Logistics Costs and Cost per Hundredweight

Average Logistics Costs

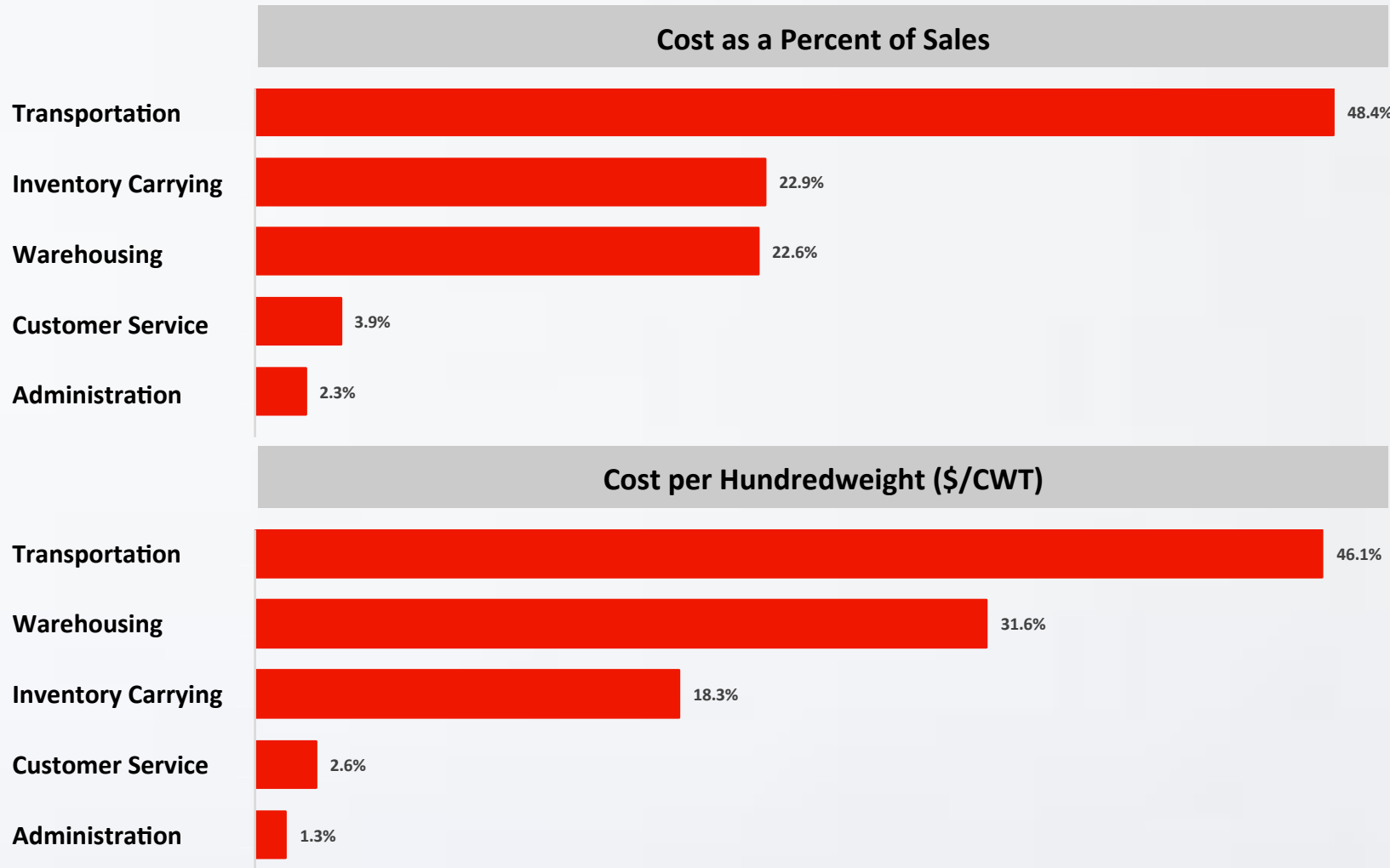
	Cost (Average Company)	
	% of Sales	\$/CWT
Transportation	4.62%	\$34.16
Inventory Carrying	2.19%	\$13.56
Warehousing	2.16%	\$23.41
Customer Service	0.37%	\$1.95
Administration	0.22%	\$0.98
Total	9.56%	\$74.07

Comments

- This table can be used for a generic analyses about logistics costs since it is an average cost within the participants
- Inventory carrying cost is lower for many companies then what is shown here since it is calculated based on a common interest rate for comparability reasons

Average Company 2015 Logistics Costs and Cost per Hundredweight as % of Total

Breakdown of Logistics Costs and Cost per Hundredweight (\$/CWT)

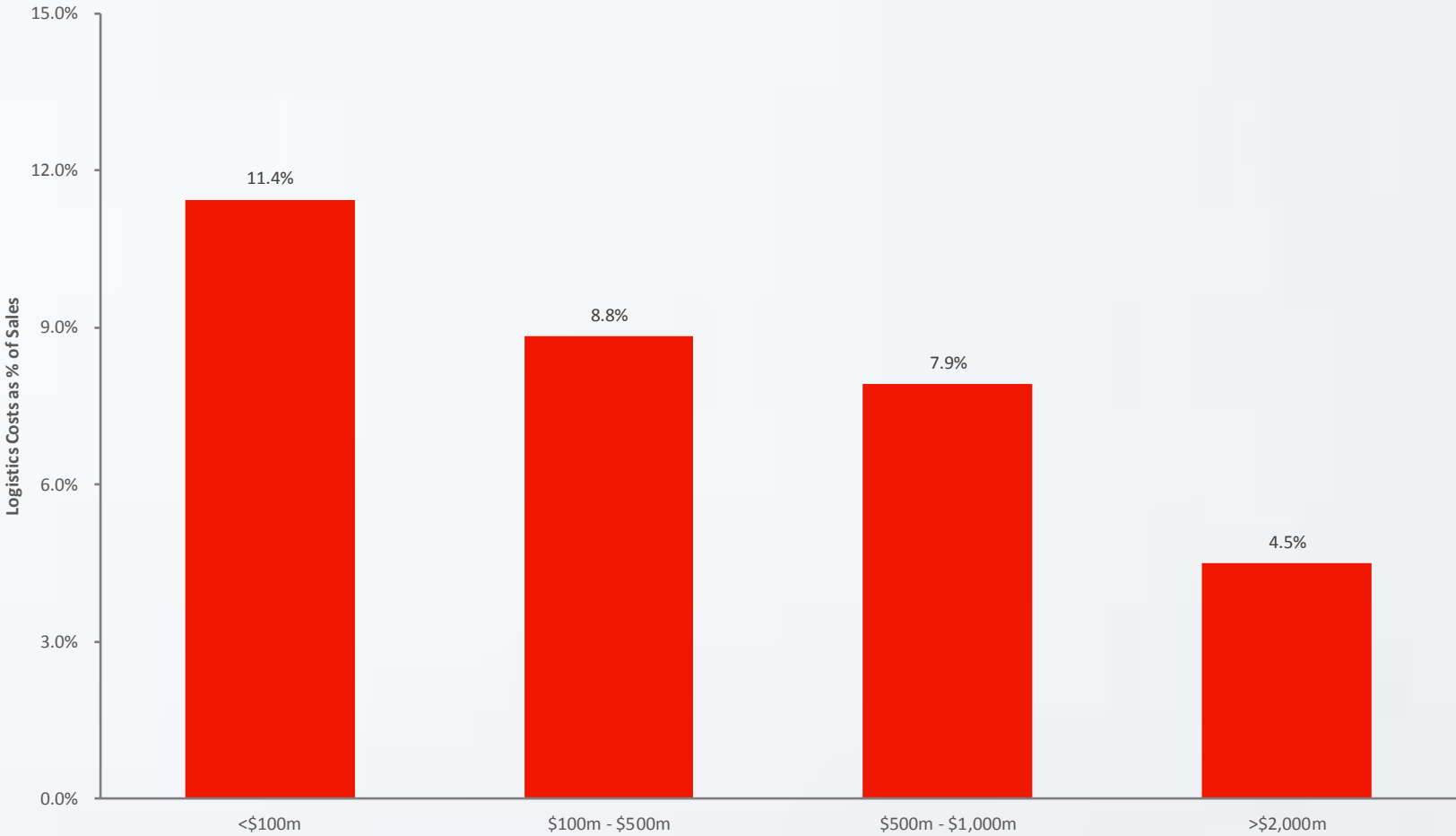


Comments

- Transportation is the dominating cost regardless of the methodology used for calculation.
- Warehousing costs have a higher importance when calculated based on weight. There is a correlation between weight and volume, which is a main driver for warehousing costs

Larger Companies Continue to Experience Lower Logistics Costs

Company Size vs. Logistics Costs as a Percent of Sales¹



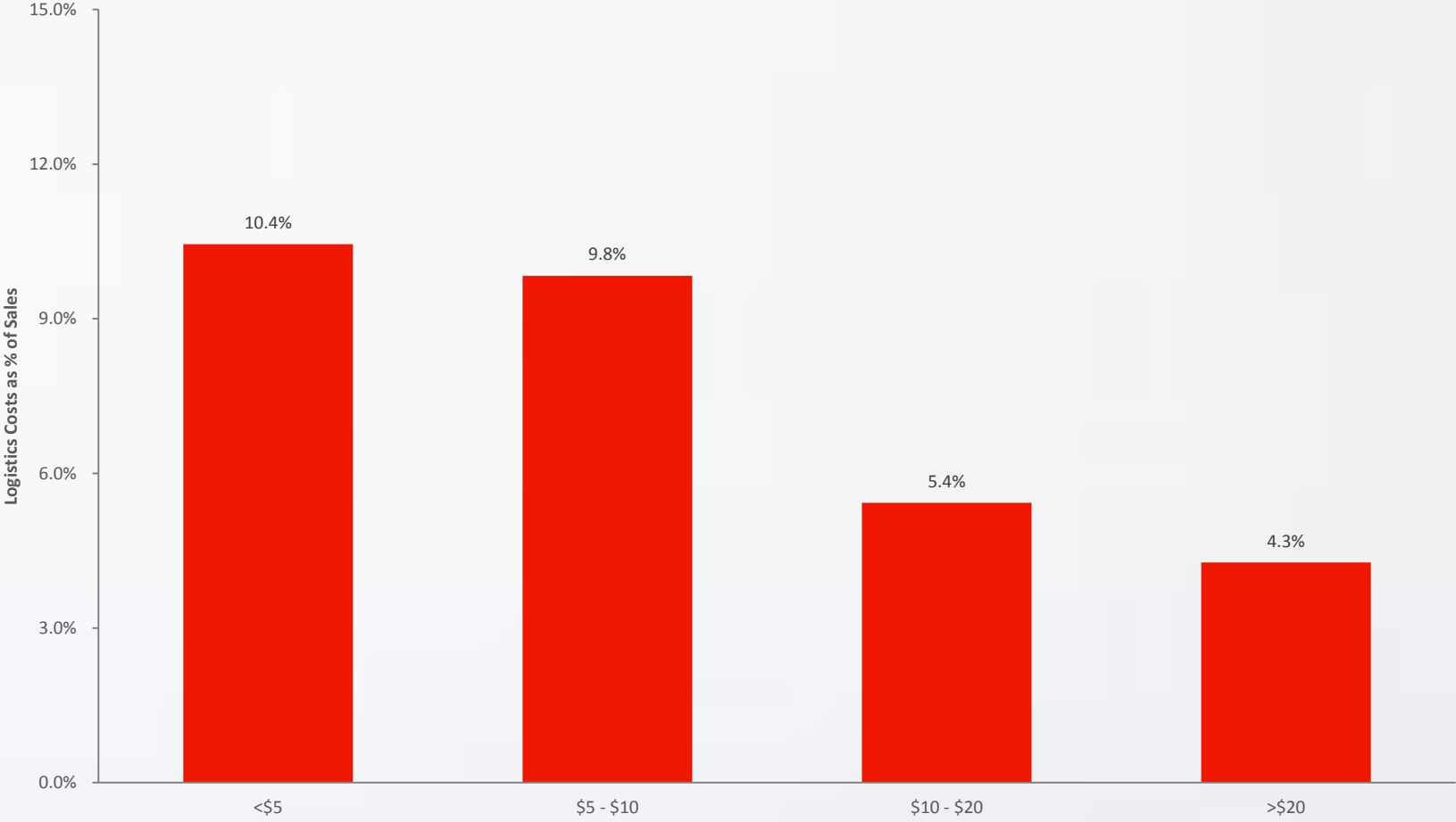
Comments

- The economy of scale is prominent when correlating the logistics costs to the size of the companies, measured in revenues
- A second reason for the correlation is that the larger companies tend to have products with higher value
- There is a threshold when companies reach around \$100m in revenues when they tend to get more professional in the logistics and also have the size to leverage in freight negotiations

¹ The sample consists of company records between 2009-2015

Companies with High Product Value Continue to Experience Lower Logistics Costs

Product Value vs. Logistics Costs as a Percent of Sales¹



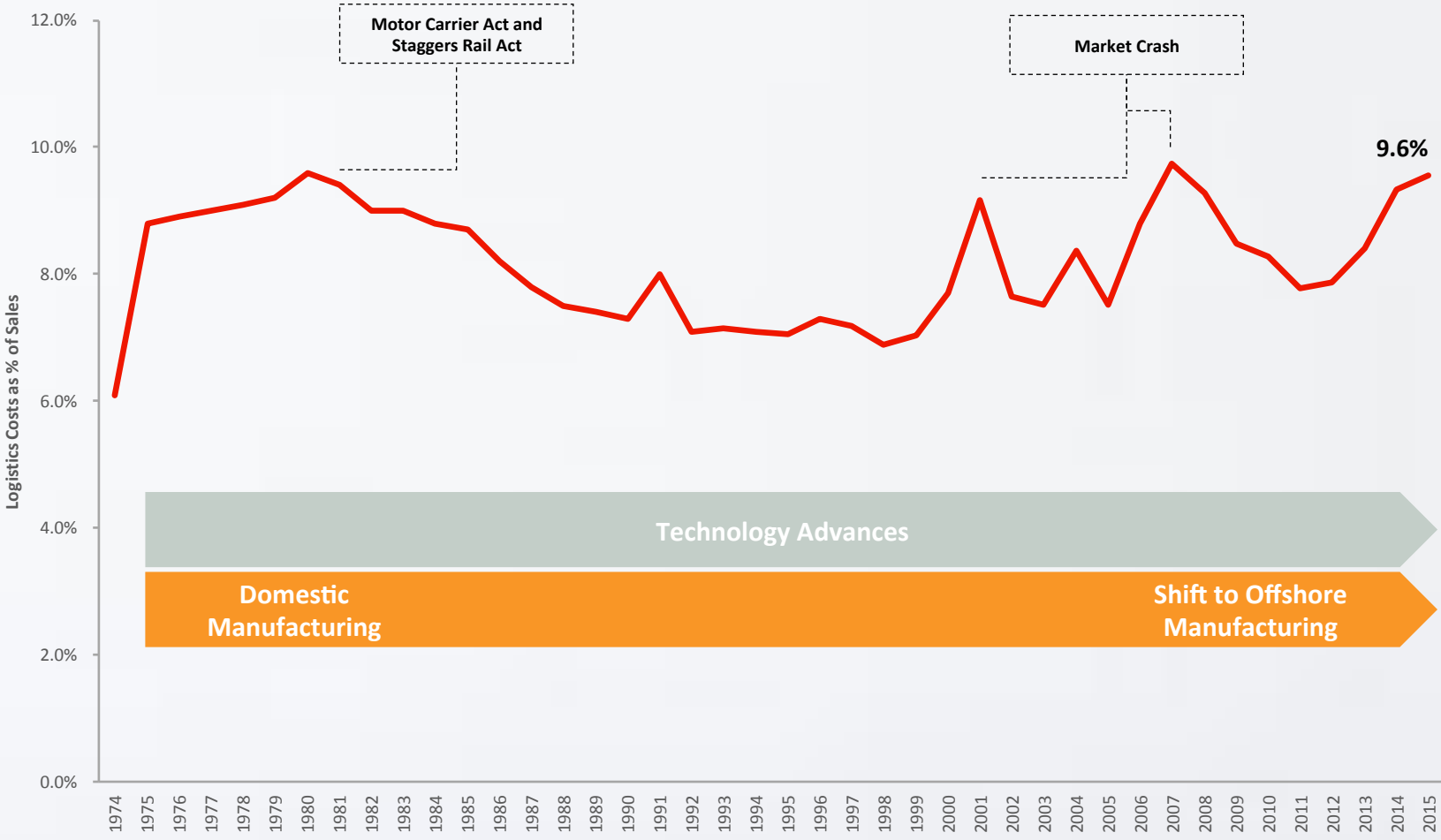
Comments

- The result is intuitive since products that are large and have low value are more expensive to transport, handle and store. It is however important to compensate for in a benchmarking exercise.

¹ The sample consists of company records between 2009-2015

Logistics Costs as a Percent of Sales Keep Trending Upwards

Logistics Costs as a Percent of Sales (1974-2016)

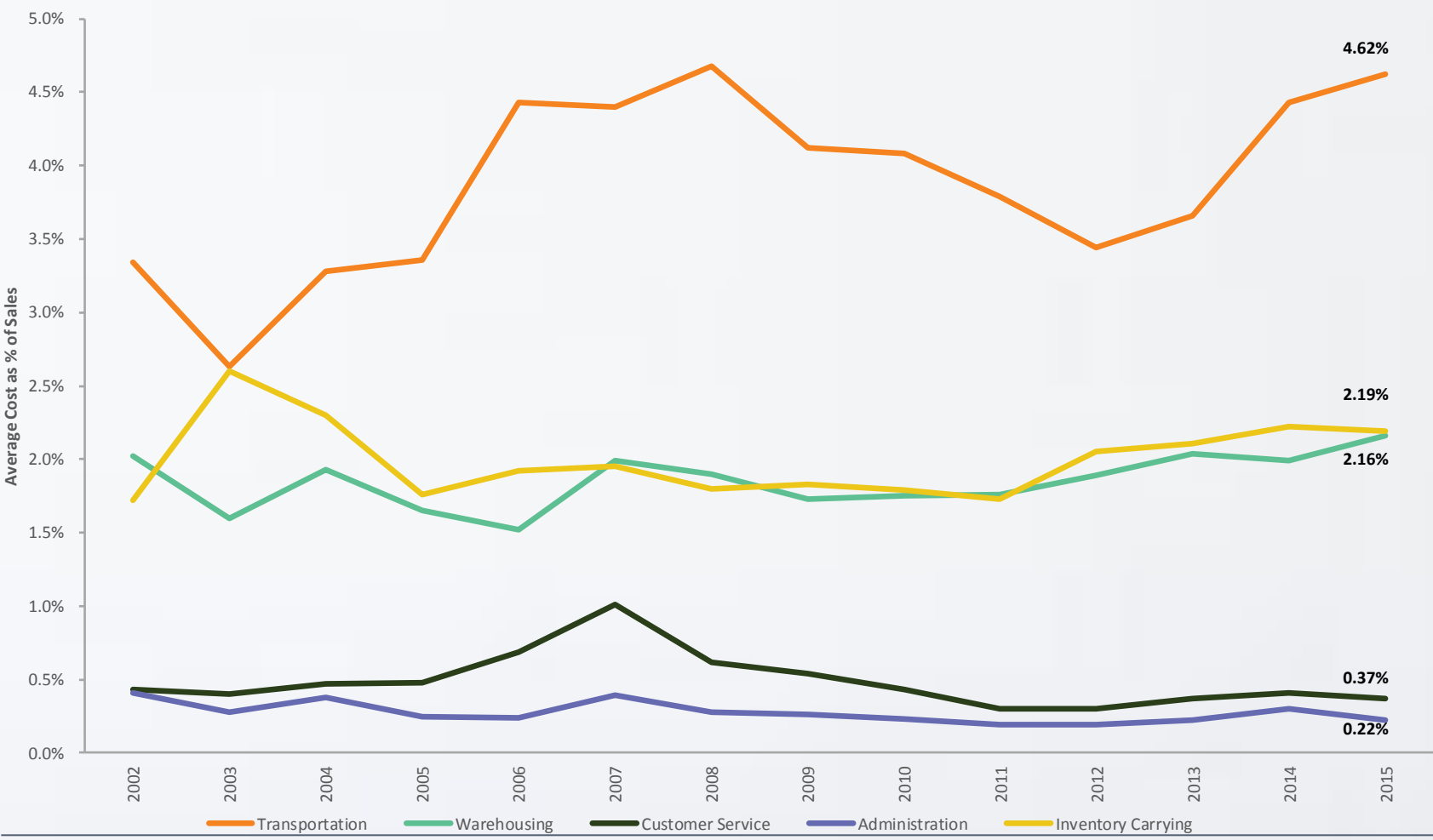


Comments

- The average cost as a percent of sales is still increasing, though it is starting to level off

Logistics Cost as a Percent of Sales Over Time

Breakdown of Average Cost as a Percent of Sales (2002-2015)

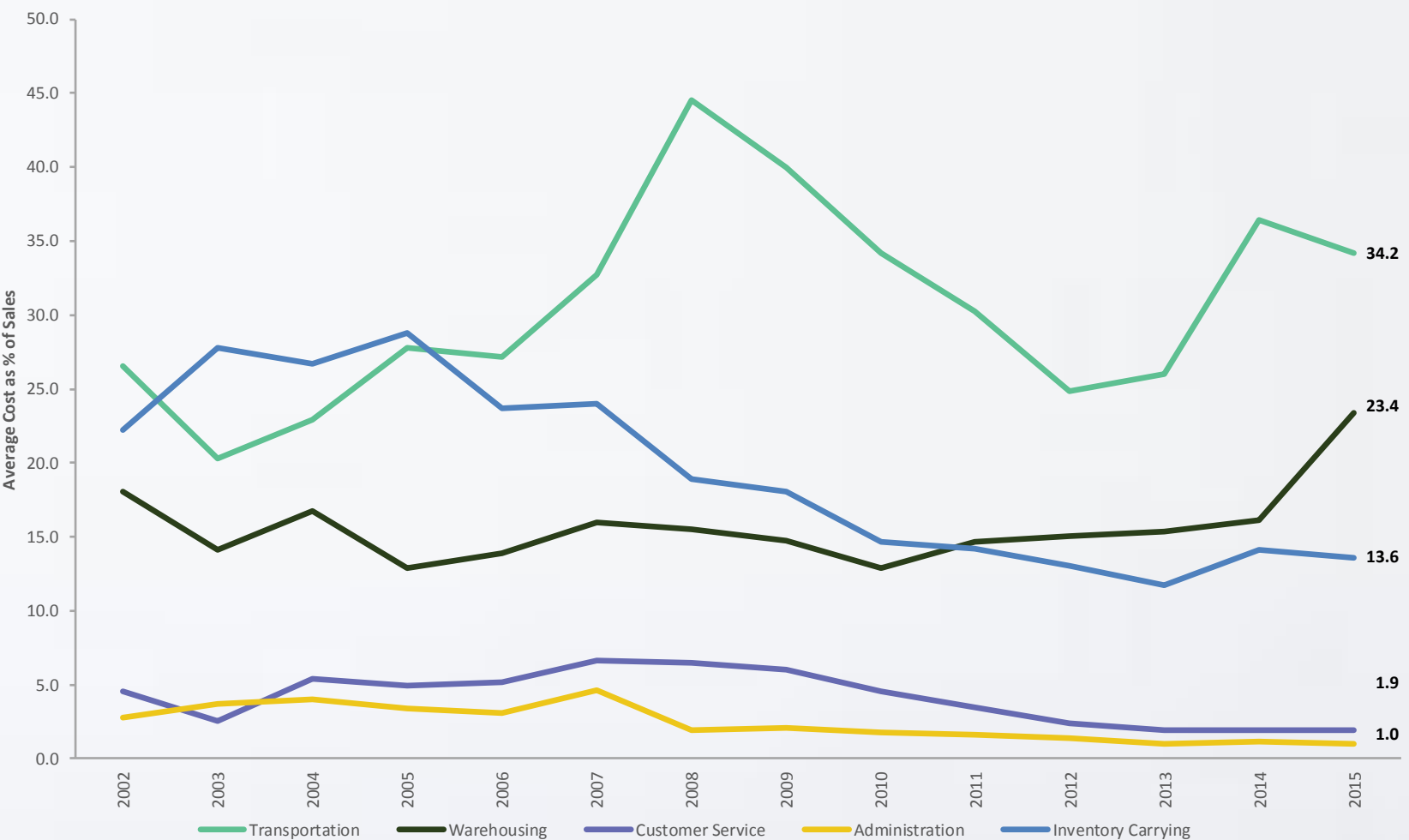


Comments

- Transportation costs continues to increase though very slow, which seems counter intuitive with the lower fuel prices and the low container rates.
- The value of the goods shipped has increased and this makes the shipping costs higher
- Many companies have agreements with indexed rate increases and don't renegotiate.
- Warehousing costs are slightly higher, which is reasonable in a strengthening economy.

Cost per Hundredweight Over Time

Breakdown of Average Cost as a Percent of Sales (2002-2015)



Comments

- The cost per hundredweight is a better indicator of the actual development of the freight rates and this indicates a break in the trends towards higher freight rates.
- The increase in the warehousing cost reflects the higher value of the goods stored.